



**THE CITY OF SAN DIEGO
CITIZENS REVENUE REVIEW AND**

ECONOMIC COMPETITIVENESS

COMMISSION

MEMORANDUM

DATE: March 23, 2010
TO: Eduardo Luna, City Auditor
FROM: Bob Nelson, Chair *Bob Nelson*
SUBJECT: Audit Report on Citywide Revenue

Following are some questions and comments stimulated by your excellent report. In some cases, a source other than your office may be appropriate for the answers; and in such cases, I request that you redirect the question to the appropriate source.

Teeter Plan: Is your office confident that the City is committed to a prompt examination of the possible benefits of creating a Teeter Plan for property taxes? If not, what further steps might the City take in this regard?

Franchise Fees: Various communication providers now “bundle” services for telephone, internet, and video. Are all franchises current and compliant with this change to the marketplace; are there any new revenue opportunities resulting from bundling?

Business Taxes: Would City collection of Business Taxes likely increase significantly were the Council to enact an Ordinance requiring that all commercial property owners advise their tenants at the time of the initial lease and annually thereafter of their obligation to annually determine and pay Business Taxes?

Refuse Haulers: What accounts for the wide disparity in Fees, Late Penalties and AB 939 Fees from CY 2006 through CY 2008?

Fines, Forfeiture, and Penalty Revenue: What accounts for the \$5 million reduction in FY 2008 revenue as compared to both the preceding and subsequent FY?

Property Taxes: What resources would be required for your office to audit the accuracy of the amounts of property tax being assessed and collected by the County on the City's behalf and the timely distribution to the City of such revenues? Given that many properties have sought reductions in their assessments in recent years due to falling market prices, what assurance do we have that the assessments will increase in the future, as market conditions stabilize to a higher level? Might local school districts partner with the City in the cost and benefits of such audits?

Mills Act: Is it correct that Mills Act Historical property tax abatements can reduce City property tax revenue by 40-60% on a given property? By what means does the City ensure that exempted properties remain in compliance with the terms of the City-Owner

agreement and the Act? Since Mills Act agreements are for initial periods of ten years with subsequent “automatic” one year extensions, does the City have the legal ability to unilaterally terminate Mills Act abatements after the initial term? If so, how much additional revenue would be generated by phasing out the abatements as they become eligible? What change to City Ordinances, resolutions or other controlling devices would be required to make such a change?

Auditor Budget: Would the City be assured of more robust and independent audit function if the budget for the City Auditor would be a function of a percentage of the total City budget, rather than amounts budgeted by the Mayor and City Council? (I believe the City and County of San Francisco has implemented something akin to this.) Page Two ---
CRRECC Chair to Auditor

Auditing Business Tax Collections: In other conversations, you have indicated that the “fully loaded” cost of a staff auditor is about \$85 per hour, whereas the City now pays Municipal Services Bureau about \$140 per hour for the same product. Given this disparity, would it not be more cost-effective to in-source this function? What steps would be required to undertake this change?

Consolidation of the Audit Function: It appears that more than 20 staff auditors in the City do not report to your office, but to the Administration. Would consolidation of these resources within your office create a more transparent, flexible, independent, and robust audit function? If so, what steps would be required to implement this?